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Aldi Australia steps up investment

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Discount retailer Aldi plans to spend more than \$1.3 billion over the next few years on technology and distribution centres to support future growth, keep up with consumer demand for convenience and cut costs to reduce prices.

Aldi Australia chief executive Tom Daunt said the retailer, whose [sales last year reached \\$10.5 billion](#), would invest all the proceeds of a recent \$930 million sale and leaseback of its distribution centres into transforming its supply chain.



“The response has been fantastic,” says Aldi chief executive Tom Daunt of the retailer’s first steps in e-commerce. **James Alcock**

It would also spend “hundreds of millions” more on new technology, including

digital technology to support its long-awaited foray into e-commerce.

Aldi started selling “online exclusives” such as fridges, freezers and mattresses in May to augment its “special buys” offer in stores, and is assessing whether to sell alcoholic beverages and food and groceries online.

“We’ve taken the first baby steps in e-commerce ... the response has been fantastic,” Mr Daunt said.

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Aldi, which entered Australia in 2001 and has about about 580 stores, had been slow to embrace e-commerce until it was convinced it could do so efficiently, he said.

“When we extend our customer offer, either through new formats or e-commerce, we want to make sure we’re always doing that in a way that doesn’t over-complicate our business or add too much additional cost and compromise our ability to offer the lowest prices in the market,” Mr Daunt said.

“We found a way to do that that delivers value for customers and us, so we’ll continue with that trial.”

Urban stores

Aldi is developing a new small store format, known as Corner Store, to enable it to expand into heavily populated urban locations unsuitable for full-range supermarkets.

The first Aldi Corner Store is due to open on Wednesday on the site of an existing Aldi store in North Sydney. Aldi plans to open between two and four Corner Stores

this year to test the format before ramping up expansion.

The stores are about 600sq m, about half the size of Aldi's traditional supermarkets, and will sell barista-made coffee, freshly squeezed juice, artisan bread and grab-and-go foods such as sushi and wraps as well as fruit and vegetables and a curated range of groceries.

Aldi is pressing ahead with the urban store format even though Woolworths recently wrote down the value of its CBD store portfolio and Coles has said CBD stores are underperforming suburban stores because of the absence of international tourists and students and more people working from home.

"We are optimistic about the long-term trends – we're not planning a business for the long-term based on the last 12 to 15 months of COVID-19," Mr Daunt said.

The investment in new technology and new distribution centres will enable Aldi to offer new solutions for customers, reduce costs and invest savings into reducing prices.



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After selling its [six distribution centres to Charter Hall last year](#) under a sale and lease-back agreement, Aldi plans to move out of the DCs, starting in Sydney in 2024 or 2025, and build or lease three automated centres to support future growth.

"With more automation we're able to improve the amount of products they can handle in less time," he said.

“It will enable us to range products in more efficient and flexible ways to meet customer demand and enable us to be more efficient so we can invest those savings back into quality and prices.”

Aldi is in negotiations with property companies on suitable sites and building or leasing the three new distribution centres and has started talks with suppliers of supply chain automation systems.

“We’ve taken the decision to head in this direction, but we’re at the early stages and haven’t made any decisions around property and whether we’ll own or lease,” Mr Daunt said.

Sue Mitchell is a senior Companies reporter and writes about retail, consumer products and fast-moving consumer goods. *Connect with Sue on [Twitter](#). Email Sue at suemitchell@afr.com*

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